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New Breed of Security Firm Caters To Special Needs of Corporations

Cases Range From Handling Ransom Demands to Plant Security

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Since the late 1970s, when it launched a \$300 million-plus project in the Colombian province of Cordoba, the Hanna Mining Co. has been concerned about the security of its personnel in the region.

Colombia has had its share of violence—guerrilla attacks, government crackdowns on dissidents, and a crime wave linked to the burgeoning cocaine trade—but Hanna believed the plant was worth the risk and proceeded with construction—but cautiously.

Hanna hired Ackerman & Palumbo Inc., a Miami security consulting firm run by two veterans of the CIA's clandestine services who have played a key role in advising the company on a host of security questions over the last six years. Donald Nelson, director of international operations at Hanna, says Ackerman & Palumbo produced a number of "threat assessments" for the company based on its on-site inspections.

"We used them as a source of reference for finding a full-time security director for the plant," Nelson explains. "They also advised us on the size of the guard force, and we've used them for intelligence gathering. . . . We use these consultants mainly to make sure that our own people are secure."

Hanna Mining is hardly alone in its concerns about the safety of overseas personnel and plants. Nor is it the only multinational company to turn to Ackerman & Palumbo for help.

International Paper Co. solicited the consultants' security advice for its headquarters in New York a few years back.

"They had a lot of input about designing our security system," said Henry Bertelsen, International Paper's corporate security manager. And American Can Co. executives read the consultants' reports regularly to assess risks in countries where they have operations.

By its own account, Ackerman & Palumbo has about 250 clients, most of them Fortune 500 companies, and for whom the partners provide a panoply of services including protection, investigation and the handling of kidnapping and ransom negotiations, should the need arise. Ackerman & Palumbo's fees begin at \$750 a day and E. C. (Mike) Ackerman boasts that the 8-year-old firm now does about \$4 million in business a year—or double that of a few years ago.

Increasingly, big companies are turning to Ackerman & Palumbo—or such competitors as Control Risks Ltd., Paul Chamberlain International or International Risks—for help with an array of security problems. Although the initial objective was to protect U.S. executives and plants overseas, chief executive officers now are seeking advice from security consultants on a much wider range of issues, including financial security threats posed by corporate takeovers, joint ventures and white-collar crime at home.

While Ackerman & Palumbo still does about 75 percent of its work abroad and counter-terrorism remains its stock in trade, Ackerman estimates that about 15 percent of his business now involves white-collar issues. By contrast, Chamberlain says that most of his work is based in the United States and that the hottest area today is white-collar crime, which he calls "rampant."

These consultants offer clients a Chinese menu of services, including reports detailing the latest social and political conditions in various countries and personal consultations with CEOs. While the consultants would not reveal their clients' names, they said they sometimes serve as liaisons with the FBI here and law enforcement officials abroad, and in some cases they take the lead in negotiations with kidnappers.

Most of the consulting firms are staffed by former CIA and FBI officials, many of whom say they have kept up close contacts with their former associates. Ackerman boasts: "We've got very good relations with the local police in Colombia, Guatemala and El Salvador." And Chamberlain, an FBI veteran of some 20 years, says his firm is basically "an adjunct to law enforcement. We're middlemen and hand-holders. . . . If you've got a bunch of old friends in the FBI, it helps a lot."

These credentials have impressed many insurance companies offering kidnap and ransom insurance.

Since 1970, when the American Insurance Group offered the first kidnap and ransom policies in the United States, other leading insurers, including Lloyds of London, Chubb and Son Inc. and Professional Indemnity Agency, have followed suit. One insurance executive estimates that the market for kidnap and ransom insurance is now slightly under \$100 million a year. Further, many insurers have established retainer relationships with consultants, whose services are included as an option on policies: Lloyds uses Control Risk, Chubb uses Ackerman & Palumbo, Professional Indemnity Agency uses Chamberlain International and the American Insurance Group has just retained a British consultant called Argen.

A brief look at several of the

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consultants in the field today offers some insight into the wide-ranging functions they now perform.

■ Ackerman & Palumbo was founded in 1977 shortly after Ackerman resigned from the CIA to "protest the sensation-seeking congressional investigations of the agency and to plead preservation of an American intelligence capability." His partner, Lou Palumbo, spent 22 years with the agency; his resume says that he "originated much of the defensive methodology currently employed throughout government and industry."

Ackerman and Palumbo combine common sense with their years of experience in clandestine operations. Under the rubric of "protective services," for example, the consultants offer a course in defensive driving that includes "an in-depth briefing on the conceptual basis for defensive-driving methodology and instruction in technique." One seminar for traveling executives explains "gray or anonymous travel and other executive countermeasures" designed to foil terrorist or criminal plots.

If an executive is kidnapped, Ackerman and Palumbo move into high gear. They promise to be available 24 hours a day and will participate in delicate negotiations or pay ransom monies, if needed. (Ackerman says he favors the policy of paying ransom first and seeking out kidnapers later.)

Although most of their work is overseas, the consultants say their caseload in the United States is growing, particularly among companies worried about corporate takeovers, friendly or not.

"We've been involved in warding off a few unfriendly foreign corporate takeovers of U.S. companies," Ackerman says. "We've been able to arm the general counsel of the defending company with information that's somewhat derogatory."

Ackerman & Palumbo also has helped companies with joint ventures abroad, especially in Colombia. "You have to be very careful there because of the heavy amount of drug money," Ackerman says. "It permeates everything, including finance."

■ Peter Goss, the director of Control Risks' U.S. headquarters in Bethesda, echoes Ackerman's assertion that kidnappings of executives has declined in the last few years. "They're now taking oil technicians, construction supervisors, missionaries and journalists rather than local corporate representatives," Goss says.

The London-based firm's recent cases have taken it to the Sudan, where it sought the release of some kidnapped technicians, and to Angola, where Unita rebels fighting the leftist Angolan government had engaged in kidnappings. Overall, the company

says it has 700 clients worldwide, about 350 of these in the United States.

In Europe, Goss says, defense industry companies have been targets of attack, and at the Paris Air Show this spring, several defense contractors based in the United States, Canada and Europe sought the firm's help. Goss and a three-man team coordinated security, hiring more than 30 local guards to watch hotels and nightspots where defense executives were entertaining. In this case, however, Goss says the fear of terrorist attacks probably was overblown. "I think the threats tended to get exaggerated," he says.

Like Ackerman & Palumbo, Control Risks relies heavily on former intelligence officials for its leadership. Goss, a 30-year veteran of the British army, served in the special forces and intelligence divisions and saw action in such hot spots as Oman, Northern Ireland and Malaysia. Karl Ackerman, another U.S. director, was chief of security at the U.S. State Department for many years.

Although it has concentrated on kidnapping cases since it was founded in 1976, Goss said Control Risks is broadening its focus to include white-collar crime.

"I'd say that there's increasing concern over computer fraud and fraud in general," Goss says. Control Risks has a computer center at its London headquarters and is planning to expand the operation to its U.S. offices.

He said, "We're focusing on high-technology security, general contingency planning and across-the-board crisis management. In the aftermath of things like Tylenol and

Union Carbide, corporations are now reviewing their operations broadly."

■ Paul Chamberlain International has handled nearly 80 kidnapping and extortion cases since 1981, 76 of those in the United States, Chamberlain says. But he adds that white-collar crime now constitutes about 50 percent of his firm's overall caseload.

"In-house white collar crime is becoming rampant. It's becoming epidemic," he says. "Anybody who can take some money is taking it, including high-level guys at major financial institutions. We have major financial institutions placing bad loans. We have S&Ls who are being taken by employees putting out bad loans." Chamberlain estimates that his firm has worked for about a dozen savings and loan institutions over the last few years, investigating improprieties and criminal acts by employees, including kickbacks on some loans.

Chamberlain and his associates all boast of lengthy careers with the FBI and a number worked on the celebrated Patty Hearst kidnapping case. Chamberlain estimates his firm has about 25 clients on retainer; another 1,200 clients purchased optional insurance policies from professional indemnity agents. He estimates that revenue will total between \$2 million and \$3 million this year.

Chamberlain is bullish on the prospects for his business. Recently, he was hired by a couple of defense companies to investigate mid-level employees suspected of taking kickbacks. And he just finished a case in which a corporate lawyer earning \$500,000 a year received a three-year jail sentence for "taking kickbacks from outside law firms."

Says Chamberlain: White-collar crime "is where it's really at."